

Birch Run Area Schools

Birch Run, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2011

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Birch Run Area Schools
Members of the Board of Education and Administration
June 30, 2011

Members of the Board of Education

Donald Morse	President
Ron Johnson	Vice President
Nan Haley	Secretary
Jeanette Morrish	Treasurer
Troy Boquette	Trustee
Cindy Parker	Trustee
Al Pettyplace	Trustee

Administration

David Bush	Superintendent
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Independent Auditors' Report

To the Board of Education
Birch Run Area Schools
Birch Run, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Birch Run Area Schools as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Birch Run Area Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Birch Run Area Schools as of June 30, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the Entity adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 2, 2011 on our consideration of Birch Run Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Birch Run Area Schools' financial statements as a whole. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, Birch Run Area Schools' financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated September 10, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Birch Run Area Schools' financial statements as a whole. The 2010 information in the comparative statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 information in the comparative statements is fairly stated in all material respects in relation to the financial statements from which they have been derived.

Yeo & Yeo, P.C.

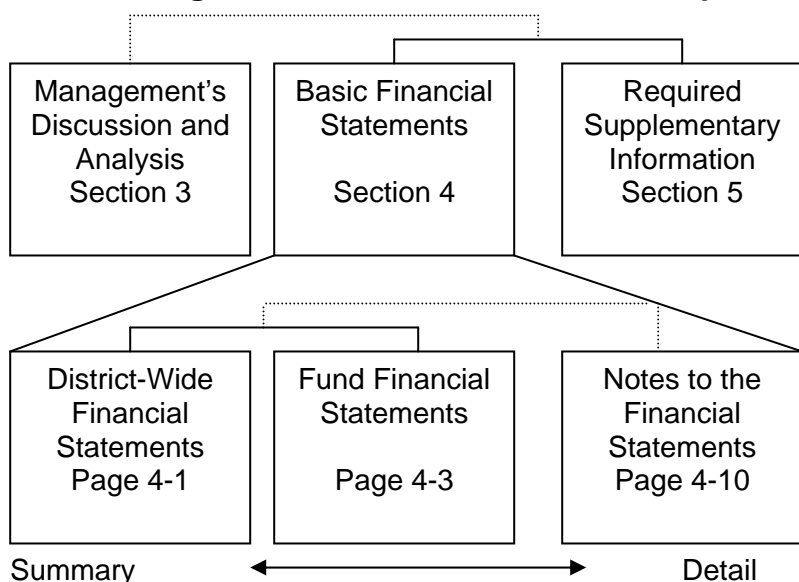
Saginaw, Michigan
September 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2011

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

Figure A-1
Birch Run Area Schools
Organization of Annual Financial Report



District –Wide Financial Statements

The District-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2011

major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Birch Run Area Schools include Debt Service Funds, Capital Projects Fund, Fiduciary Funds and a Special Revenue Fund for Food Service.

Birch Run Area Schools is the trustee, or fiduciary, for its student activity funds and for a number of scholarships established for the benefit of our students. These fiduciary activities are reported in separate statements of fiduciary net assets. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

Summary of Net Assets

	Governmental Activities	
	June 30, 2011	June 30, 2010
Assets		
Current Assets	\$ 7,218,182	\$ 5,575,464
Capital Assets	27,516,712	27,553,229
Less accumulated depreciation	(12,575,480)	(12,127,816)
Capital Assets, net	14,941,232	15,425,413
Total Assets	22,159,414	21,000,877
Liabilities		
Current Liabilities	5,453,279	4,200,979
Long-term Liabilities	2,800,938	3,924,938
Total Liabilities	8,254,217	8,125,917
Net Assets		
Total Capital Assets	12,541,200	10,899,930
Restricted	430,646	382,603
Unrestricted	933,351	1,592,427
Total Net Assets	\$ 13,905,197	\$ 12,874,960

Unrestricted net assets are similar but not identical to fund balance. A reconciliation of the difference between increased net assets and a decrease in fund balance is on page 4-7.

The net assets for the District increased by \$1,030,237 during the 2010/11 year. The *Statement of Net Assets from Operating Results* (below) shows the details of this change.

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2011

Statement of Net Assets from Operating Results

The School District's Funds

As the School District completed this year, the governmental funds reported a combined fund balance of \$1,847,018, which is an increase of \$586,270 from last year. The primary reasons for the increase are:

	<u>Governmental Activities</u>	
	<u>June 31, 2011</u>	<u>June 30, 2010</u>
	<u>(Restated)</u>	
Revenues		
Program revenues		
Charges for services	\$ 462,330	\$ 454,086
Operating grants and contributions	2,404,488	2,378,148
General revenues		
Property taxes	2,893,921	3,043,148
State foundation allowance	11,547,583	10,915,023
Other	116,322	182,070
Total revenues	<u>17,424,644</u>	<u>16,972,475</u>
Expenses		
Instruction	9,302,883	8,892,539
Support services	6,231,377	6,097,108
Food services	677,036	653,165
Other transactions	183,111	255,887
Total expenses	<u>16,394,407</u>	<u>15,898,699</u>
Increase in net assets	<u>\$ 1,030,237</u>	<u>\$ 1,073,776</u>

- In the General Fund, our principal operating fund, the fund balance increased by \$487,027. The increase was the result of increased Federal grants and a transfer of 31a Funds to State Aid allowable under the 11d cut.
- The fund balance of our Food Service Fund increased by \$16,370. This was a result of focusing on lowering operational costs and increased Federal reimbursements for free and reduced lunch.
- Our Debt Service Fund showed an increase of \$31,673. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond-issue related debt service. The fund balance of the Debt Service is reserved since it can only be used for future debt service obligations.
- The Capital Project Fund had a decrease in fund balance of \$1,121,340. This was a result of the billing for the JCI contract during May and June, while the Bond closing was not until August.

The School District experienced an increase in net assets of \$1,030,237. The primary reason for the increase in net assets was collection of property taxes for the payment made on long-term debt. These payments are shown as expenditures in the governmental funds, but are shown as reductions of long-term debt on the government-wide statements, which increase net assets.

**Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2011**

Approximately 69% of the District's revenues are received from State sources. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student enrollment calculated by blending 75 percent of the current year's fall count and 25 percent of the prior year's winter count.
3. The amount raised by the District's non-homestead property tax levy of 18 mills.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Birch Run Area Schools' foundation allowance was \$7,316 per student. However, there was a pro-ration cut of \$170 making the net foundation \$7,146. This is was the same foundation as the 2009/10 year.

Student Enrollment

The District's blended student count for 2010/11 was 1,867 students. This is one less student than the blended count of the prior year. The following summarizes the blended student count in the past five years:

Enrollment History

	Student FTE	FTE Change from Prior Year
2010/11	1,867	27
2009/10	1,840	(8)
2008/09	1,848	(14)
2007/08	1,862	(19)
2006/07	1,881	22

Preliminary student enrollment projections for 2011/12 indicate that enrollments are likely to be slightly higher than 2010/11.

Property Taxes Levied for General Operations

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

	Local Property Tax Revenue	% of General Fund Revenue
2010/11	\$ 1,633,757	10.7%
2009/10	1,670,057	11.2%
2008/09	1,569,689	10.5%
2007/08	1,501,525	10.2%
2006/07	1,418,967	9.8%
2005/06	1,261,941	9.0%

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2011

Local revenues in the table include the receipt of delinquent taxes from prior years. For the fiscal year ended June 30, 2011, the District had \$14,000 of current year property taxes that had not been collected.

Capital Assets

At June 30, 2011, the District had the following invested in capital assets including land, buildings, furniture, and equipment.

Assets	2011	2010
Land	\$ 40,000	\$ 40,000
Construction in progress	986,247	-
Site Improvements	2,001,870	2,001,870
Buildings and improvements	23,154,826	23,154,826
Buses and other vehicles	795,534	839,487
Furniture and equipment	1,564,482	1,517,046
Subtotal	28,542,959	27,553,229
Less accumulated depreciation	(12,575,480)	(12,127,816)
	<u>\$ 15,967,479</u>	<u>\$ 15,425,413</u>

Long-Term Debt

The long-term obligations for the District decreased from \$4,971,845 to \$3,905,800. Total deductions of \$1,066,045 represent bond payments, capital lease payments and payment of compensated absences.

Original versus Revised Budget

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2010/11 was approved on June 21, 2010 and amended on June 28, 2011.

General Fund Revenues

Total Revenues Revised Budget	\$ 15,392,923
Total Revenues Original Budget	14,685,430
	<u>\$ 707,493</u>

Some of the significant revenue budget adjustments for the year include:

- Additional Federal grant funding

The District's actual general fund revenues were more than the revised budget by \$88,248 a variance of 0.57%.

General Fund Expenditures

Total Expenditures Revised Budget	\$ 15,232,893
Total Expenditures Original Budget	14,929,489
	<u>\$ 303,404</u>

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2011

Some of the significant expenditure budget adjustments for the year include:

- Additional staff required for Spec Ed needs
- Additional Federal grant funding

The District's actual general fund expenditures were less than the revised budget by \$230,382, a variance of 1.54%.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. Once the final student count is known in late September, State law requires the District to amend the budget if actual revenues will vary significantly from those originally appropriated.

Actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. During 2010/11 Federal Stimulus grants were used to subsidize the \$7,316 foundation grant in the amount of \$114. Further, Federal Ed Jobs monies were used to subsidize the foundation grant further.

It is anticipated that in the 2011/12 school year no Federal Stimulus monies will be used to subsidize the foundation grant. It is assumed that the 2011/12 foundation will be reduced by \$470 per student.

It is also expected that the state mandated retirement rate (MPSERS) will increase from 20.66% to 24.46%, increasing the cost of salary and benefits by 3.8%.

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to: Mr. Scott N. Sawyer, Business Manager, Birch Run Area Schools, 12400 Church Street, Birch Run, Michigan, 48415.

BASIC FINANCIAL STATEMENTS

Birch Run Area Schools
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash	\$ 8,438
Taxes receivable	14,000
Accounts receivable	163,743
Due from other governmental units	3,147,230
Inventory	13,470
Investments	2,778,575
Other assets	66,479
Capital assets not being depreciated	1,026,247
Capital assets - net of accumulated depreciation	<u>14,941,232</u>
Total assets	<u>22,159,414</u>
Liabilities	
Accounts payable	1,472,234
State aid anticipation note payable	1,363,426
Payroll deductions and withholdings	20,761
Accrued expenditures	334,032
Accrued salaries payable	1,087,860
Deferred revenue	3,625
Noncurrent liabilities	
Due within one year	1,171,341
Due in more than one year	<u>2,800,938</u>
Total liabilities	<u>8,254,217</u>
Net assets	
Invested in capital assets, net of related debt	12,541,200
Restricted for:	
Food service	156,691
Debt service	273,955
Unrestricted	<u>933,351</u>
Total net assets	<u><u>\$ 13,905,197</u></u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Governmental Funds
Balance Sheet
June 30, 2011

	General Fund	Food Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 8,288	\$ 150	\$ -	\$ -	\$ 8,438
Taxes receivable	14,000	-	-	-	14,000
Accounts receivable	104,930	-	-	58,813	163,743
Due from other funds	-	122,564	-	-	122,564
Due from other governmental units	3,089,735	57,495	-	-	3,147,230
Inventory	10,860	2,610	-	-	13,470
Investments	2,545,947	-	17,486	215,142	2,778,575
Total assets	\$ 5,773,760	\$ 182,819	\$ 17,486	\$ 273,955	\$ 6,248,020
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 463,484	\$ 22,503	\$ 986,247	\$ -	\$ 1,472,234
State aid anticipation note payable	1,363,426	-	-	-	1,363,426
Due to other funds	122,564	-	-	-	122,564
Payroll deductions and withholdings	20,761	-	-	-	20,761
Accrued expenditures	316,532	-	-	-	316,532
Accrued salaries payable	1,087,860	-	-	-	1,087,860
Deferred revenue	14,000	3,625	-	-	17,625
Total liabilities	3,388,627	26,128	986,247	-	4,401,002
Fund Balance					
Non-spendable for:					
Inventory	10,860	2,610	-	-	13,470
Restricted for:					
Food service	-	154,081	-	-	154,081
Debt service	-	-	-	273,955	273,955
Assigned for:					
Major maintenance and repairs	500,000	-	-	-	500,000
2011/12 budget	60,680	-	-	-	60,680
Unassigned	1,813,593	-	(968,761)	-	844,832
Total fund balance	2,385,133	156,691	(968,761)	273,955	1,847,018
Total liabilities and fund balance	\$ 5,773,760	\$ 182,819	\$ 17,486	\$ 273,955	\$ 6,248,020

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2011

Total fund balances for governmental funds	\$ 1,847,018
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	14,000
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,026,247
Capital assets - net of accumulated depreciation	14,941,232
Other long-term assets are not deferred in the governmental funds.	66,479
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(17,500)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(546,000)
Bonds payable	(3,480,640)
Deferred charges on refinancing	79,701
Other loans payable and liabilities	<u>(25,340)</u>
Net assets of governmental activities	<u>\$ 13,905,197</u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	General Fund	Food Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 1,935,657	\$ 271,537	\$ 59	\$ 1,254,099	\$ 3,461,352
State sources	11,941,692	25,772	-	15,522	11,982,986
Federal sources	1,556,227	365,117	-	-	1,921,344
Interdistrict sources	47,595	-	-	-	47,595
Total revenues	<u>15,481,171</u>	<u>662,426</u>	<u>59</u>	<u>1,269,621</u>	<u>17,413,277</u>
Expenditures					
Current					
Education					
Instruction	8,877,208	-	-	-	8,877,208
Supporting services	5,899,750	-	-	-	5,899,750
Food services	-	646,056	-	-	646,056
Community services	64,206	-	-	-	64,206
Intergovernmental payments	900	-	-	-	900
Capital outlay	151,402	-	1,121,399	-	1,272,801
Debt service					
Principal	9,045	-	-	1,098,501	1,107,546
Interest and other expenditures	-	-	-	139,447	139,447
Total expenditures	<u>15,002,511</u>	<u>646,056</u>	<u>1,121,399</u>	<u>1,237,948</u>	<u>18,007,914</u>
Excess (deficiency) of revenues over expenditures	<u>478,660</u>	<u>16,370</u>	<u>(1,121,340)</u>	<u>31,673</u>	<u>(594,637)</u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses)					
Insurance recoveries	\$ 3,315	\$ -		\$ -	\$ 3,315
Proceeds from sale of capital assets	<u>5,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,052</u>
Total other financing sources (uses)	<u>8,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,367</u>
Net change in fund balance	487,027	16,370	(1,121,340)	31,673	(586,270)
Fund balance - beginning, as restated	<u>1,898,106</u>	<u>140,321</u>	<u>152,579</u>	<u>242,282</u>	<u>2,433,288</u>
Fund balance - ending	<u>\$ 2,385,133</u>	<u>\$ 156,691</u>	<u>\$ (968,761)</u>	<u>\$ 273,955</u>	<u>\$ 1,847,018</u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - Total governmental funds	\$ (586,270)
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	3,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(491,617)
Capital outlay	1,033,683
Expenses are recorded when incurred in the statement of activities.	
Interest	5,396
Compensated absences	(11,000)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Repayments of long-term debt	1,098,500
Repayments on capital lease	10,045
Amortization bond issuance costs	(48,726)
Amortization of bond premium	<u>17,226</u>
Change in net assets of governmental activities	<u>\$ 1,030,237</u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2011

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 31,750	\$ 101,440
Liabilities		
Due to agency fund activities	-	\$ 101,440
Net assets		
Reserved for scholarships	<u>\$ 31,750</u>	

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 1,724
Deductions	
Scholarships	<u>4,415</u>
Change in net assets	(2,691)
Net assets - beginning	<u>34,441</u>
Net assets - ending	<u><u>\$ 31,750</u></u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Birch Run Area Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as

Birch Run Area Schools
Notes to Financial Statements
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well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Food Service Fund – The Food Service Fund is used to record all transactions associated with food service activities administered by the School District.

Capital Projects Fund – The Capital Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Debt Service Fund – The Debt Service Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent.

The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2011, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence exemption	18.0000
Commercial personal property	6.0000
Debt Service Funds	4.4000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. Approximately 98% of the School District’s tax roll lies within the County of Saginaw and the remaining 2% lies within the County of Genesee.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or

Birch Run Area Schools
Notes to Financial Statements
June 30, 2011

before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Saginaw and Genesee and remitted to the School District.

Investments – Investments are stated at fair value based on a quoted market price.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Compensated Absences – Employees receive accumulated sick leave up to a maximum of 102 days upon retirement with a minimum of 6 to 10 years of service.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds

payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the District's highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first.

Birch Run Area Schools
Notes to Financial Statements
June 30, 2011

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standard

The Government Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District adopted effective July 1, 2010. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund.

The effect of this change on beginning fund balances is:

	As Originally <u>Reported</u>	<u>Adjustment</u>	As <u>Restated</u>
Beginning fund balance			
General Fund	\$ 1,853,623	\$ 44,483	\$ 1,898,106
Nonmajor funds	\$ 286,765	(44,483)	\$ 242,282

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were necessary to adjust budgeted revenues and expenses in relation to the original appropriations.

Excess of Expenditures Over Appropriations

The District did not have expenditure budget variances.

Deficits

The District has incurred a deficit in the Capital Project Fund caused by facility improvements which were incurred in the 2011 fiscal year. This deficit will be eliminated in the 2012 fiscal year as the district has subsequently issued Qualified Zone Academy Bonds to finance all of the facility improvements.

Birch Run Area Schools
Notes to Financial Statements
June 30, 2011

Compliance - Bond Proceeds

The Capital Projects Fund included capital project activities which will be funded with bonds proceeds. The following is a summary of revenues and expenditures related to the bond project:

Revenues:	\$ -
Expenditures:	\$ 1,121,399

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 8,438	\$ 133,190	\$ 141,628
Investments	<u>2,778,575</u>	<u>-</u>	<u>2,778,575</u>
	<u>\$ 2,787,013</u>	<u>\$ 133,190</u>	<u>\$ 2,920,203</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 140,978
Investments in securities, mutual funds, and similar vehicles	2,778,575
Petty cash and cash on hand	<u>650</u>
Total	<u>\$ 2,920,203</u>

As of year end, the District had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Liquid Asset Fund - CMS	\$ 115	6 months Average	AAA	Standard & Poor's
Michigan Liquid Asset Fund- MAX	<u>2,778,460</u>	6 months Average	AAA	Standard & Poor's
	<u>\$ 2,778,575</u>			

Interest rate risk – In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 12 months.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The District's investment policy allows a maximum of 100% of available funds to be invested in the Michigan Liquid Asset Fund (MILAF+) and any of its affiliated programs.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, none of the District's bank

Birch Run Area Schools
Notes to Financial Statements
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balance of \$ 143,629 was exposed to custodial credit risk.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The following investment securities were uninsured and unregistered and held in the following manner:

Investment Type	Carrying Value	How Held
Michigan Liquid Asset Funds	\$ <u>2,778,575</u>	By counterparty in the District's name

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	-	986,247	-	986,247
Total capital assets not being depreciated	<u>40,000</u>	<u>986,247</u>	<u>-</u>	<u>1,026,247</u>
Capital assets being depreciated				
Buildings and additions	23,154,826	-	-	23,154,826
Site improvements	2,001,870	-	-	2,001,870
Equipment and furniture	1,517,046	47,436	-	1,564,482
Buses and other vehicles	839,487	-	43,953	795,534
Total capital assets being depreciated	<u>27,513,229</u>	<u>47,436</u>	<u>43,953</u>	<u>27,516,712</u>
Less accumulated depreciation for				
Buildings and additions	8,241,726	403,210	-	8,644,936
Site improvements	2,001,870	-	-	2,001,870
Equipment and furniture	1,291,085	42,576	-	1,333,661
Buses and other vehicles	593,135	45,831	43,953	595,013
Total accumulated depreciation	<u>12,127,816</u>	<u>491,617</u>	<u>43,953</u>	<u>12,575,480</u>
Net capital assets being depreciated	<u>15,385,413</u>	<u>(444,181)</u>	<u>-</u>	<u>14,941,232</u>
Net capital assets	<u>\$ 15,425,413</u>	<u>\$ 542,066</u>	<u>\$ -</u>	<u>\$ 15,967,479</u>

Depreciation for the fiscal year ended June 30, 2011 amounted to \$491,617. Depreciation expense was charged to the various governmental activities as follows:

Governmental activities	
Instruction	\$ 281,793
Support services	187,278
Food services	20,508
Community services	<u>2,038</u>
Total governmental activities	<u>\$ 491,617</u>

Commitment

The School District entered into a contract in 2011 with Johnson Controls for the purpose of improving District facilities. The following contracts were in progress as of June 30, 2011:

	Total Contract	Commitment Remaining
Facility Improvements	\$ 2,817,850	\$ 1,831,603

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Food Service	General Fund	<u>\$ 122,564</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Birch Run Area Schools
Notes to Financial Statements
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Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes	\$ 14,000	\$ -
Food service lunch deposits	-	3,625
Total	\$ 14,000	\$ 3,625

Note 7 - Leases

The School District has capital leases for copy machines. The future minimum lease payments are as follows:

Year ending June 30,		
2012	\$	10,524
2013		10,524
2014		4,100
2015		720
Total minimum lease payments		25,868
Less amount representing interest		529
Present value of lease payments	\$	25,339

The assets acquired through capital leases are as follows:

Asset		
Equipment	\$	50,540
Less accumulated depreciation		16,823
Total	\$	33,717

Note 8 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ 1,340,000	\$ 2,500,000	\$ 2,476,574	\$ 1,363,426

The state aid anticipation note included an irrevocable set aside of \$1,136,574 at year end that is considered deceased debt and not included in the ending balance.

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include

Birch Run Area Schools
Notes to Financial Statements
June 30, 2011

compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 4,485,000	\$ -	\$ 1,085,000	\$ 3,400,000	\$ 1,120,000
Durant Bond	42,460	-	13,500	28,960	14,143
Capital lease	35,385	-	10,045	25,340	10,198
Compensated absences	535,000	-	(11,000)	546,000	27,000
Premium on bonds	68,906	-	17,226	51,680	-
Deferred amount on refunding	(106,268)	-	(26,567)	(79,701)	-
Deferred issuance costs	(88,638)	-	(22,159)	(66,479)	-
Total	\$ 4,971,845	\$ -	\$ 1,066,045	\$ 3,905,800	\$ 1,171,341

For governmental activities, capital leases and compensated absences are primarily liquidated by the general fund.

General obligation bonds payable at year end, consists of the following:

\$5,655,000 refunding serial bond due in annual installments of \$1,120,000 to \$1,115,000 through May 15, 2014, interest at 3.00% to 3.25% \$ 3,400,000

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,120,000	\$ 88,025	\$ 1,208,025
2013	1,150,000	53,975	1,203,975
2014	1,130,000	18,363	1,148,363
Total	\$ 3,400,000	\$ 160,363	\$ 3,560,363

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$273,955 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$221,042 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually \$ 28,960

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2012	\$ 14,143	\$ 1,379	\$ 15,522
2013	14,817	705	15,522
Total	\$ 28,960	\$ 2,084	\$ 31,044

Compensated Absences

Accrued compensated absences at year end, consists of \$65,000 of vacation hours earned and vested and \$481,000 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been

Birch Run Area Schools
Notes to Financial Statements
June 30, 2011

issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is 2014. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

1999 Refunding	<u>\$ 290,000</u>
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Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District participates in a Municipal Risk Retention Pool Program through the Middle Cities Risk Management Trust. This program provides substantially all the insurance needs of the School District, including property, general liability, automobile and umbrella. The contributions made by the School District fund the program at rates predicated on expected losses, excess insurance premium contribution and administration costs, including appropriate state assessment. The possibility of additional claims exists but the amount of liability to the School District would be immaterial by the time the aggregate stop-loss coverage is triggered. There also is a

possibility of a refund due the School District. Therefore, neither contingent liabilities nor assets have been recognized on the School District's financial statements.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had unemployment compensation expense of \$220 for the year. No provision has been made for possible future claims.

Note 11 - Pension Plans and Post Employment Benefits

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPSERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Technology, Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

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In 2010 MPSERS created a new Pension Plus plan. All Michigan public school employees who begin work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two components: (a) a defined benefit pension component, and (b) a defined contribution savings component.

Funding Policy

The School is required by State statute to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	8.63 - 12.16%	9.73 - 10.13%	9.73 - 10.17%
Total payroll	\$ 7,997,026	\$ 8,297,751	\$ 8,562,266
Total covered payroll	7,207,750	8,287,359	8,548,919
School pension contributions	980,181	823,752	849,293
Employee MIP contributions	277,081	281,818	272,039
Tax deferred payment program	50,424	62,930	84,896

Defined Contribution Savings Plan

For the Pension Plus savings plan, participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution.

Contributions by the District and participants during the year ended June 30, 2011, were:

	District	Participants
Contributions to the Pension Plus Savings Plan	\$ 663	\$ 1,325

Post Employment Benefits

In addition to the pension benefits described above, the School Finance Reform Act requires the School District to provide post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS). Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health care, dental and vision coverage at the time of receiving the benefits. The School's actual contributions match the required contributions.

The following table discloses pertinent information relative to MPSERS post employment benefits funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	6.81 - 8.50%	6.81%	6.55 - 6.81%
Employer contributions	\$ 573,053	\$ 564,369	\$ 553,596
Employee contributions	201,155	-	-

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District

Birch Run Area Schools
Notes to Financial Statements
June 30, 2011

expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2011.

Note 13 - Subsequent Event

Subsequent to June 30, 2011, the School District has paid the balance of the \$1,363,426 and accrued interest on the short-term state aid anticipation note borrowed in August 2010 and has subsequently borrowed \$2,500,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District in August 2011. The interest rates range from .800% and .400%.

Subsequent to June 30, 2011, the School District has entered into a contract for the purpose of providing student transportation. As a result of this contract, the District sold their bus fleet. Details of the sale are shown in the following table:

Purchase cost	\$ 711,630
Depreciation	<u>531,071</u>
Book value	180,559
Sale price	<u>95,650</u>
Gain (loss)	<u><u>\$ (84,909)</u></u>

In August of 2011, the School District sold Qualified Zone Academy Bonds for \$2,875,357. Those funds will be used to eliminate the deficit in the Capital Project Fund and to finance further facility upgrades.

REQUIRED SUPPLEMENTAL INFORMATION

Birch Run Area Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Local sources	\$ 1,902,457	\$ 1,845,355	\$ 1,935,657	\$ 90,302
State sources	11,807,630	11,924,818	11,941,692	16,874
Federal sources	1,184,778	1,580,840	1,556,227	(24,613)
Interdistrict sources	43,000	42,000	47,595	5,595
Total revenues	<u>14,937,865</u>	<u>15,393,013</u>	<u>15,481,171</u>	<u>88,158</u>
Expenditures				
Instruction				
Basic programs	7,323,555	7,441,739	7,335,775	(105,964)
Added needs	1,476,580	1,564,355	1,541,433	(22,922)
Supporting services				
Pupil	769,450	792,023	777,365	(14,658)
Instructional staff	498,153	476,413	452,098	(24,315)
General administration	286,261	303,040	288,844	(14,196)
School administration	994,199	950,398	952,485	2,087
Business	362,794	384,244	364,282	(19,962)
Operations and maintenance	1,473,672	1,457,949	1,447,141	(10,808)
Pupil transportation services	746,607	858,289	834,955	(23,334)
Central	420,190	406,121	410,055	3,934
Athletic activities	367,552	367,552	372,525	4,973
Community services	65,886	65,886	64,206	(1,680)
Intergovernmental payments	-	-	900	900
Capital outlay	135,386	155,680	151,402	(4,278)
Debt service	9,204	9,204	9,045	(159)
Total expenditures	<u>14,929,489</u>	<u>15,232,893</u>	<u>15,002,511</u>	<u>(230,382)</u>
Excess (deficiency) of revenues over expenditures	<u>8,376</u>	<u>160,120</u>	<u>478,660</u>	<u>318,540</u>

Birch Run Area Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Other financing sources (uses)				
Insurance recoveries	\$ -	\$ 3,300	\$ 3,315	\$ 15
Proceeds from sale of capital assets	2,000	5,000	5,052	52
Transfers out	<u>(277,000)</u>	<u>(8,000)</u>	<u>-</u>	<u>8,000</u>
Total other financing sources (uses)	<u>(275,000)</u>	<u>300</u>	<u>8,367</u>	<u>8,067</u>
Net change in fund balance	(266,624)	160,420	487,027	326,607
Fund balance - beginning, as restated	<u>1,898,106</u>	<u>1,898,106</u>	<u>1,898,106</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,631,482</u>	<u>\$ 2,058,526</u>	<u>\$ 2,385,133</u>	<u>\$ 326,607</u>

Birch Run Area Schools
Required Supplemental Information
Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Local sources	\$ 297,000	\$ 297,000	\$ 271,537	\$ (25,463)
State sources	39,000	32,000	25,772	(6,228)
Federal sources	<u>354,000</u>	<u>354,000</u>	<u>365,117</u>	<u>11,117</u>
Total revenues	<u>690,000</u>	<u>683,000</u>	<u>662,426</u>	<u>(20,574)</u>
Expenditures				
Food services	<u>664,364</u>	<u>703,264</u>	<u>646,056</u>	<u>(57,208)</u>
Excess (deficiency) of revenues over expenditures	<u>25,636</u>	<u>(20,264)</u>	<u>16,370</u>	<u>36,634</u>
Fund balance - beginning	<u>140,321</u>	<u>140,321</u>	<u>140,321</u>	<u>-</u>
Fund balance - ending	<u>\$ 165,957</u>	<u>\$ 120,057</u>	<u>\$ 156,691</u>	<u>\$ 36,634</u>

OTHER SUPPLEMENTAL INFORMATION

Birch Run Area Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	<u>Total Nonmajor Governmental Funds</u> <u>Debt Fund</u>
Assets	
Accounts receivable	\$ 58,813
Investments	<u>215,142</u>
Total assets	<u>\$ 273,955</u>
Liabilities and fund balance	
Fund balance	
Debt service	<u>\$ 273,955</u>

Birch Run Area Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	<u>Total Nonmajor Governmental Funds</u> <u>Debt Fund</u>
Revenues	
Local sources	\$ 1,254,099
State sources	<u>15,522</u>
Total revenues	<u>1,269,621</u>
Expenditures	
Debt service	
Principal	1,098,501
Interest and other expenditures	<u>139,447</u>
Total expenditures	<u>1,237,948</u>
Excess (deficiency) of revenues over expenditures	<u>31,673</u>
Fund balance - beginning, as restated	<u>242,282</u>
Fund balance - ending	<u><u>\$ 273,955</u></u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2011

	<u>2011</u>	<u>2010</u> (Restated)
Assets		
Cash	\$ 8,288	\$ 139,088
Taxes receivable	14,000	6,700
Accounts receivable	104,930	3,185
Due from other governmental units	3,089,735	2,468,921
Inventory	10,860	8,983
Investments	1,409,373	2,452,083
Prepaid items	-	718
Restricted investments	<u>1,136,574</u>	<u>-</u>
Total assets	<u>\$ 5,773,760</u>	<u>\$ 5,079,678</u>
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 463,484	\$ 392,998
State aid anticipation note payable	1,363,426	1,340,000
Due to other funds	122,564	151,353
Payroll deductions and withholdings	20,761	53,621
Accrued expenditures	316,532	350,382
Accrued salaries payable	1,087,860	880,022
Deferred revenue	<u>14,000</u>	<u>13,196</u>
Total liabilities	<u>3,388,627</u>	<u>3,181,572</u>
Fund balance		
Non-spendable for:		
Inventory	10,860	8,983
Prepaid items	-	718
Assigned for:		
Major maintenance and repairs	500,000	-
2011/12 budget	60,680	-
Unassigned	<u>1,813,593</u>	<u>1,888,405</u>
	<u>2,385,133</u>	<u>1,898,106</u>
Total liabilities and fund balance	<u>\$ 5,773,760</u>	<u>\$ 5,079,678</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	\$ 1,674,757	\$ 1,651,205	\$ 1,637,185	\$ (14,020)
Tuition	5,500	6,500	9,700	3,200
Earnings on investments	10,000	3,000	2,887	(113)
Student activities	93,000	93,000	116,558	23,558
Community service activities	-	-	54,598	54,598
Other local revenues	<u>119,200</u>	<u>91,650</u>	<u>114,729</u>	<u>23,079</u>
Total revenues from local sources	<u>1,902,457</u>	<u>1,845,355</u>	<u>1,935,657</u>	<u>90,302</u>
Revenues from state sources				
Grants - unrestricted	11,168,000	11,298,169	11,506,289	208,120
Grants - restricted	<u>639,630</u>	<u>626,649</u>	<u>435,403</u>	<u>(191,246)</u>
Total revenues from state sources	<u>11,807,630</u>	<u>11,924,818</u>	<u>11,941,692</u>	<u>16,874</u>
Revenues from federal sources				
Grants	<u>1,184,778</u>	<u>1,580,840</u>	<u>1,556,227</u>	<u>(24,613)</u>
Interdistrict sources				
Other	<u>43,000</u>	<u>42,000</u>	<u>47,595</u>	<u>5,595</u>
Other financing sources				
Insurance recoveries	-	3,300	3,315	15
Proceeds from sale of capital assets	<u>2,000</u>	<u>5,000</u>	<u>5,052</u>	<u>52</u>
Total other financing sources	<u>2,000</u>	<u>8,300</u>	<u>8,367</u>	<u>67</u>
	<u>\$ 14,939,865</u>	<u>\$ 15,401,313</u>	<u>\$ 15,489,538</u>	<u>\$ 88,225</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 1,543,000	\$ 1,605,500	\$ 1,612,439	\$ 6,939
Employee benefits	864,976	939,714	958,573	18,859
Purchased services	49,500	49,700	51,441	1,741
Supplies and materials	49,292	23,200	22,323	(877)
Other	-	500	419	(81)
	<u>2,506,768</u>	<u>2,618,614</u>	<u>2,645,195</u>	<u>26,581</u>
Basic program - middle school				
Salaries	1,403,000	1,432,300	1,402,063	(30,237)
Employee benefits	760,940	791,358	780,788	(10,570)
Purchased services	36,050	33,200	35,078	1,878
Supplies and materials	26,500	54,408	54,074	(334)
Other	1,000	1,200	1,776	576
	<u>2,227,490</u>	<u>2,312,466</u>	<u>2,273,779</u>	<u>(38,687)</u>
Basic program - high school				
Salaries	1,443,458	1,407,700	1,358,388	(49,312)
Employee benefits	817,892	802,778	761,314	(41,464)
Purchased services	135,750	151,700	150,846	(854)
Supplies and materials	77,500	67,200	64,944	(2,256)
Other	1,500	2,550	3,413	863
	<u>2,476,100</u>	<u>2,431,928</u>	<u>2,338,905</u>	<u>(93,023)</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - pre-school				
Salaries	\$ 71,424	\$ 43,735	\$ 50,678	\$ 6,943
Employee benefits	37,973	30,996	23,058	(7,938)
Purchased services	1,300	900	571	(329)
Supplies and materials	2,500	3,100	3,589	489
	<u>113,197</u>	<u>78,731</u>	<u>77,896</u>	<u>(835)</u>
Added needs - special education				
Salaries	590,633	618,065	611,389	(6,676)
Employee benefits	314,331	332,001	322,985	(9,016)
Purchased services	8,200	5,700	19,302	13,602
Supplies and materials	13,700	6,700	4,548	(2,152)
Other	80,000	110,000	87,071	(22,929)
	<u>1,006,864</u>	<u>1,072,466</u>	<u>1,045,295</u>	<u>(27,171)</u>
Added needs - compensatory education				
Salaries	305,401	269,643	284,135	14,492
Employee benefits	159,440	149,731	147,756	(1,975)
Purchased services	125	125	144	19
Supplies and materials	4,750	72,390	64,103	(8,287)
	<u>469,716</u>	<u>491,889</u>	<u>496,138</u>	<u>4,249</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - guidance services				
Salaries	\$ 179,473	\$ 174,129	\$ 170,608	\$ (3,521)
Employee benefits	104,489	107,165	106,489	(676)
Purchased services	-	50	31	(19)
Total guidance services	<u>283,962</u>	<u>281,344</u>	<u>277,128</u>	<u>(4,216)</u>
Pupil - health services				
Salaries	23,204	23,204	23,204	-
Employee benefits	14,780	16,178	16,290	112
Purchased services	24,100	24,100	15,889	(8,211)
Supplies and materials	400	400	402	2
Total health services	<u>62,484</u>	<u>63,882</u>	<u>55,785</u>	<u>(8,097)</u>
Pupil - psychological services				
Purchased services	61,000	69,793	69,793	-
Supplies and materials	500	-	-	-
Total psychological services	<u>61,500</u>	<u>69,793</u>	<u>69,793</u>	<u>-</u>
Pupil - speech services				
Salaries	53,657	53,656	50,787	(2,869)
Employee benefits	32,130	31,458	32,706	1,248
Purchased services	59,000	59,000	59,614	614
Supplies and materials	1,150	1,150	1,942	792
Total speech services	<u>145,937</u>	<u>145,264</u>	<u>145,049</u>	<u>(215)</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - social work services				
Salaries	\$ 67,832	\$ 67,877	\$ 67,876	\$ (1)
Employee benefits	35,573	38,346	38,549	203
Purchased services	300	300	382	82
Supplies and materials	300	300	510	210
	<u>104,005</u>	<u>106,823</u>	<u>107,317</u>	<u>494</u>
Total social work services				
Pupil - teacher consultant				
Purchased services	8,000	8,000	5,175	(2,825)
Pupil - other support services				
Salaries	68,112	76,767	78,117	1,350
Employee benefits	22,988	26,000	27,880	1,880
Purchased services	1,650	1,650	207	(1,443)
Supplies and materials	3,000	4,000	2,488	(1,512)
Other	7,812	8,500	8,426	(74)
	<u>103,562</u>	<u>116,917</u>	<u>117,118</u>	<u>201</u>
Total other pupil support services				

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - improvement of education				
Salaries	\$ 36,112	\$ 10,000	\$ 2,634	\$ (7,366)
Employee benefits	9,696	2,642	681	(1,961)
Purchased services	27,270	46,389	39,715	(6,674)
Supplies and materials	3,727	6,269	8,509	2,240
Other	1,699	1,699	303	(1,396)
	<u>78,504</u>	<u>66,999</u>	<u>51,842</u>	<u>(15,157)</u>
Instructional staff - educational media services				
Salaries	165,956	165,956	163,978	(1,978)
Employee benefits	82,559	73,519	67,371	(6,148)
Purchased services	1,200	1,200	2,801	1,601
Supplies and materials	19,296	19,296	18,529	(767)
	<u>269,011</u>	<u>259,971</u>	<u>252,679</u>	<u>(7,292)</u>
Instructional staff - supervision and direction of instructional staff				
Salaries	31,584	31,584	31,551	(33)
Employee benefits	13,134	13,466	13,382	(84)
Purchased services	94,920	93,393	93,468	75
Supplies and materials	2,000	2,000	341	(1,659)
	<u>141,638</u>	<u>140,443</u>	<u>138,742</u>	<u>(1,701)</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - other services				
Supplies and materials	\$ 9,000	\$ 9,000	\$ 8,835	\$ (165)
General administration - board of education				
Salaries	7,000	7,000	7,530	530
Purchased services	54,200	43,490	41,627	(1,863)
Supplies and materials	2,200	2,200	3,065	865
Other	3,600	3,600	3,777	177
Total board of education	<u>67,000</u>	<u>56,290</u>	<u>55,999</u>	<u>(291)</u>
General administration - executive administration				
Salaries	140,532	162,050	158,689	(3,361)
Employee benefits	69,229	74,600	68,847	(5,753)
Purchased services	5,200	5,200	1,923	(3,277)
Supplies and materials	1,900	1,900	640	(1,260)
Other	2,400	3,000	2,746	(254)
Total executive administration	<u>219,261</u>	<u>246,750</u>	<u>232,845</u>	<u>(13,905)</u>
School administration - office of the principal				
Salaries	624,804	585,456	596,685	11,229
Employee benefits	351,020	346,567	335,470	(11,097)
Purchased services	10,575	10,575	11,127	552
Supplies and materials	6,300	6,300	5,887	(413)
Other	1,500	1,500	1,188	(312)
Total office of the principal	<u>994,199</u>	<u>950,398</u>	<u>950,357</u>	<u>(41)</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
School administration - other				
Other	\$ -	\$ -	\$ 2,128	\$ 2,128
Business - fiscal services				
Salaries	141,811	135,722	130,297	(5,425)
Employee benefits	91,821	85,609	85,907	298
Purchased services	8,655	8,655	5,051	(3,604)
Supplies and materials	6,700	6,700	6,303	(397)
Other	<u>2,400</u>	<u>2,400</u>	<u>2,572</u>	<u>172</u>
Total fiscal services	<u>251,387</u>	<u>239,086</u>	<u>230,130</u>	<u>(8,956)</u>
Business - internal services				
Salaries	14,412	14,412	14,461	49
Employee benefits	5,570	5,721	5,890	169
Purchased services	275	275	176	(99)
Supplies and materials	<u>33,200</u>	<u>44,700</u>	<u>32,228</u>	<u>(12,472)</u>
Total internal services	<u>53,457</u>	<u>65,108</u>	<u>52,755</u>	<u>(12,353)</u>
Business - other				
Purchased services	950	32,950	32,226	(724)
Other	<u>57,000</u>	<u>47,100</u>	<u>49,171</u>	<u>2,071</u>
Total other business	<u>57,950</u>	<u>80,050</u>	<u>81,397</u>	<u>1,347</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Operations and maintenance - operating building services				
Salaries	\$ 516,537	\$ 500,481	\$ 504,543	\$ 4,062
Employee benefits	314,484	309,138	300,296	(8,842)
Purchased services	547,524	542,500	542,169	(331)
Supplies and materials	93,327	104,030	99,402	(4,628)
Other	1,800	1,800	731	(1,069)
	<u>1,473,672</u>	<u>1,457,949</u>	<u>1,447,141</u>	<u>(10,808)</u>
Total operating building services				
Pupil transportation services				
Salaries	397,381	442,329	428,582	(13,747)
Employee benefits	167,436	192,495	209,809	17,314
Purchased services	53,365	56,665	43,538	(13,127)
Supplies and materials	128,425	166,800	152,891	(13,909)
Other	-	-	135	135
	<u>746,607</u>	<u>858,289</u>	<u>834,955</u>	<u>(23,334)</u>
Total transportation services				
Central - planning, research development and evaluation				
Purchased services	700	-	-	-
Supplies and materials	1,025	500	323	(177)
Other	1,875	1,875	1,875	-
	<u>3,600</u>	<u>2,375</u>	<u>2,198</u>	<u>(177)</u>
Total planning, research development and evaluation				

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Central - communication services				
Purchased services	\$ 20,000	\$ 14,700	\$ 14,231	\$ (469)
Supplies and materials	<u>500</u>	<u>500</u>	<u>180</u>	<u>(320)</u>
Total communication services	<u>20,500</u>	<u>15,200</u>	<u>14,411</u>	<u>(789)</u>
Central - staff/personnel services				
Salaries	74,561	61,700	58,171	(3,529)
Employee benefits	55,792	39,850	35,705	(4,145)
Purchased services	13,725	25,380	24,254	(1,126)
Supplies and materials	<u>6,375</u>	<u>2,650</u>	<u>2,370</u>	<u>(280)</u>
Total staff/personnel services	<u>150,453</u>	<u>129,580</u>	<u>120,500</u>	<u>(9,080)</u>
Central - support services technology				
Salaries	77,235	77,235	76,389	(846)
Employee benefits	38,840	39,730	39,073	(657)
Purchased services	82,962	104,150	117,934	13,784
Supplies and materials	<u>3,200</u>	<u>3,351</u>	<u>7,704</u>	<u>4,353</u>
Total support services technology	<u>202,237</u>	<u>224,466</u>	<u>241,100</u>	<u>16,634</u>
Central - pupil accounting				
Purchased services	<u>-</u>	<u>-</u>	<u>1,101</u>	<u>1,101</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Central - other				
Salaries	\$ 700	\$ 2,500	\$ 2,443	\$ (57)
Purchased services	42,000	32,000	28,302	(3,698)
Supplies and materials	700	-	-	-
Total other central	<u>43,400</u>	<u>34,500</u>	<u>30,745</u>	<u>(3,755)</u>
Athletic activities				
Salaries	98,476	98,476	103,478	5,002
Employee benefits	46,991	46,991	49,231	2,240
Purchased services	184,925	184,925	175,456	(9,469)
Supplies and materials	24,205	24,205	27,520	3,315
Other	12,955	12,955	16,840	3,885
Total other athletic activities	<u>367,552</u>	<u>367,552</u>	<u>372,525</u>	<u>4,973</u>
Community services - community activities				
Salaries	39,744	39,744	39,355	(389)
Employee benefits	15,672	15,672	15,801	129
Purchased services	6,300	6,300	5,703	(597)
Supplies and materials	4,170	4,170	3,347	(823)
Total community activities	<u>65,886</u>	<u>65,886</u>	<u>64,206</u>	<u>(1,680)</u>
Intergovernmental payments				
Payments to other public schools	-	-	900	900

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Capital outlay				
Basic program - elementary	\$ 1,150	\$ -	\$ -	\$ -
Basic program - middle school	4,150	3,400	3,616	216
Basic program - high school	11,050	11,150	16,549	5,399
Instructional staff - improvement of education	-	42,600	42,600	-
General administration - executive administration	5,500	3,500	1,870	(1,630)
School administration - office of the principal	900	900	1,363	463
Business - fiscal services	1,200	1,200	-	(1,200)
Operations and maintenance - operating building services	16,386	28,780	27,735	(1,045)
Pupil transportation services	30,000	-	-	-
Central - support services technology	65,050	64,150	57,669	(6,481)
	<u>135,386</u>	<u>155,680</u>	<u>151,402</u>	<u>(4,278)</u>
Total capital outlay				
	<u>135,386</u>	<u>155,680</u>	<u>151,402</u>	<u>(4,278)</u>
Debt service				
Principal	9,204	9,204	9,045	(159)
	<u>9,204</u>	<u>9,204</u>	<u>9,045</u>	<u>(159)</u>
Total debt service				
	<u>9,204</u>	<u>9,204</u>	<u>9,045</u>	<u>(159)</u>
Other financing uses				
Transfers out	277,000	8,000	-	(8,000)
	<u>277,000</u>	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
Total expenditures and financing uses	<u>\$ 15,206,489</u>	<u>\$ 15,240,893</u>	<u>\$ 15,002,511</u>	<u>\$ (238,382)</u>

Birch Run Area Schools
Other Supplemental Information
Activity Funds
Statement of Changes in Amounts Due to (from) Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups June 30, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
Other Departments				
Beautification of Birch Run Schools	\$ 5	\$ -	\$ -	\$ 5
Community Education Dedication	1,422	-	-	1,422
Unallocated interest	773	93	6	860
Grounds	10	-	-	10
Superintendent's Pledge	500	-	500	-
Community Ed - Summer	104	-	-	104
Administration - General	1,847	350	437	1,760
Cola Commissions	100	7,030	5,952	1,178
Maintenance Department	266	214	-	480
	<u>5,027</u>	<u>7,687</u>	<u>6,895</u>	<u>5,819</u>
Total Other Departments				
Birch Run High School				
General	236	7,441	5,268	2,409
Theater	3,366	-	-	3,366
Cash Box	(355)	-	-	(355)
National Honor Society	(277)	607	1,010	(680)
Student Council	525	4,862	2,593	2,794
Library	41	691	725	7
Forensics	3,925	12,584	12,270	4,239
Art Club	189	-	-	189
Greenhouse	624	5,651	3,959	2,316
Cheerleaders	(1,458)	611	325	(1,172)
Pom Poms	824	-	-	824
Bowling Club	2,229	745	2,085	889
Multi-cultural	272	-	-	272
Pepband	220	-	-	220

Birch Run Area Schools
Other Supplemental Information
Activity Funds
Statement of Changes in Amounts Due to (from) Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups June 30, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
Memorial Garden	\$ 502	\$ -	\$ -	\$ 502
Field Trip Transportation	2,248	1,145	80	3,313
Vending Machines	(147)	13,786	11,915	1,724
Textbooks	141	60	-	201
A.P. English	449	-	-	449
Yearbook	(14,559)	20,177	18,274	(12,656)
Mini Grant	870	-	474	396
Class of '95	526	-	-	526
Class of '97	19	-	-	19
Class of '98	102	-	-	102
Class of '01	1,265	-	-	1,265
Class of '02	1,071	-	-	1,071
Class of '03	457	-	-	457
Class of '04	202	-	-	202
Class of '05	1,649	-	-	1,649
Class of '06	2,710	-	-	2,710
Class of '07	2,058	-	-	2,058
Class of '08	1,301	-	-	1,301
Class of '09	2,796	-	-	2,796
Class of '10	4,308	-	4,139	169
Class of '11	(1,069)	6,753	7,875	(2,191)
Class of '12	14	13,331	11,361	1,984
Class of '13	100	817	808	109
Class of '14	-	150	284	(134)
Athletic Fundraiser - Football	3,612	29,752	34,164	(800)
Athletic Fundraiser - Girls Basketball	1,136	1,188	1,781	543
Athletic Fundraiser - Boys Basketball	1,506	3,437	3,278	1,665
Athletic Fundraiser - Wrestling	707	3,692	5,521	(1,122)
Athletic Fundraiser - Golf	28	205	193	40
Athletic Fundraiser - Track	-	195	-	195

Birch Run Area Schools
Other Supplemental Information
Activity Funds
Statement of Changes in Amounts Due to (from) Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups June 30, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
Athletic Fundraiser - Volleyball	\$ (329)	\$ 12,172	\$ 10,560	\$ 1,283
Athletic Fundraiser - Baseball	1,360	4,958	5,806	512
Athletic Fundraiser - Softball	1,663	4,168	4,607	1,224
Soccer	(266)	2,298	1,954	78
Athletics - General	-	10,966	24,545	(13,579)
Tournament	-	4,254	5,211	(957)
Cross Country / Track	340	-	74	266
Music - Chorus	2,733	22,179	21,020	3,892
Band	473	-	-	473
Woodshop	18	3,329	3,054	293
	<u>30,355</u>	<u>192,204</u>	<u>205,213</u>	<u>17,346</u>
Total Birch Run High School				
Marshall Greene Middle School				
Middle Administrative	4,478	2,671	2,050	5,099
National Honor Society	3,274	3,581	3,242	3,613
Geography Bee	-	222	89	133
Field trips	785	915	1,658	42
Student Council	3,954	5,115	3,552	5,517
Newspaper	29	-	-	29
Library	1,307	3,877	4,118	1,066
Textbooks	386	232	38	580
P.T.O.	4,856	37,243	32,843	9,256
Middle Grants	1,178	4,497	3,581	2,094
Middle Classroom - Shop	404	1,649	1,472	581
	<u>20,651</u>	<u>60,002</u>	<u>52,643</u>	<u>28,010</u>
Total Marshall Greene Middle School				

Birch Run Area Schools
Other Supplemental Information
Activity Funds
Statement of Changes in Amounts Due to (from) Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups June 30, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
North Elementary School				
Coffee Fund	\$ 63	\$ -	\$ -	\$ 63
Flower Fund	158	225	254	129
Pop Fund	2,568	667	3,095	140
Special Events	1,749	235	781	1,203
General Fund	1,306	5,454	3,845	2,915
Student Council	58	955	504	509
Field Trips	25,040	18,870	17,406	26,504
Library	4,531	11,193	11,980	3,744
Picture Money	4,016	2,683	4,413	2,286
RIF Program	3,094	2,500	2,901	2,693
Accelerated Reader	456	530	185	801
Wish List	2,775	3,500	2,000	4,275
School Store	4,252	3,170	2,467	4,955
Grants	35	490	477	48
	<u>50,101</u>	<u>50,472</u>	<u>50,308</u>	<u>50,265</u>
Total North Elementary School				
Combined totals	<u>\$ 106,134</u>	<u>\$ 310,365</u>	<u>\$ 315,059</u>	<u>\$ 101,440</u>

Birch Run Area Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30,	1998 School Improvement Bonds	1999 School Building and Site Bonds	Total
2012	\$ 14,143	\$ 1,120,000	\$ 1,134,143
2013	14,817	1,150,000	1,164,817
2014	-	1,130,000	1,130,000
Total	<u>\$ 28,960</u>	<u>\$ 3,400,000</u>	<u>\$ 3,428,960</u>
Principal payments due	May 15th	May 1st	
Interest payments due	May 15th	May 1st and November 1st	
Interest rate	4.76%	3.000% - 3.250%	
Original issue	<u>\$ 221,042</u>	<u>\$ 5,655,000</u>	

Birch Run Area Schools

Birch Run, Michigan

Single Audit Report

June 30, 2011

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Board of Education
Birch Run Area Schools
Birch Run, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Birch Run Area Schools as of and for the year ended June 30, 2011, which collectively comprise Birch Run Area Schools basic financial statements and have issued our report thereon dated September 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Birch Run Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Birch Run Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Birch Run Area Schools' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Birch Run Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan

September 2, 2011

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control over
Compliance in Accordance with *OMB Circular A-133***

Members of the Board of Education
Birch Run Area Schools
Birch Run, Michigan

Compliance

We have audited Birch Run Area Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Birch Run Area Schools' major federal programs for the year ended June 30, 2011. Birch Run Area Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Birch Run Area Schools' management. Our responsibility is to express an opinion on Birch Run Area Schools compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Birch Run Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Birch Run Area Schools' compliance with those requirements.

In our opinion, Birch Run Area Schools complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Birch Run Area Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose

of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Birch Run Area Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Birch Run Area Schools as of and for the year ended June 30, 2011, and have issued our report thereon dated September 2, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, Board of Education, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan

September 2, 2011

Birch Run Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass Through Grantor Program Title Grantor Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue at July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue at June 30, 2011
U.S. Department of Agriculture							
Nutrition Cluster							
Passed through Michigan Department of Education							
Cash Assistance							
National School Lunch Breakfast	10.553						
101970 Breakfast Program		\$ 43,203	\$ -	\$ 39,620	\$ 3,583	\$ 3,583	\$ -
111970 Breakfast Program		39,467	-	-	39,467	31,961	7,506
			<u>-</u>		<u>43,050</u>	<u>35,544</u>	<u>7,506</u>
National School Lunch Program	10.555						
101950 Sec. 4 - Total Servings		48,843	-	43,429	5,414	5,414	-
111950 Sec. 4 - Total Servings		38,800	-	-	38,800	35,035	3,765
101960 Sec. 11 - Free and Reduced		217,050	-	191,794	25,256	25,256	-
111960 Sec. 11 - Free and Reduced		203,905	-	-	203,905	162,746	41,159
			<u>-</u>		<u>273,375</u>	<u>228,451</u>	<u>44,924</u>
Total cash assistance			<u>-</u>		<u>316,425</u>	<u>263,995</u>	<u>52,430</u>
Non-cash assistance (commodities)							
National School Lunch Program	10.555						
Entitlement Commodities		46,125	-	-	46,125	46,125	-
Bonus Commodities		2,566	-	-	2,567	2,567	-
Total non-cash assistance			<u>-</u>		<u>48,692</u>	<u>48,692</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>-</u>		<u>365,117</u>	<u>312,687</u>	<u>52,430</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Birch Run Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass Through Grantor Program Title Grantor Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue at July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue at June 30, 2011
U.S. Department of Education							
Special Education Cluster							
Passed through Saginaw Intermediate School District							
100450-0910 IDEA Flowthrough	84.027	\$ 290,714	\$ 69,593	\$ 253,868	\$ 36,842	\$ 69,593	\$ 36,842
110450-1011 IDEA Flowthrough		331,687	-	-	331,687	-	331,687
100445-0910 ARRA - IDEA Flowthrough	84.391A	303,970	175,000	175,000	46,970	175,000	46,970
100465-0910 ARRA - IDEA Pre School	84.392A	16,311	-	-	16,311	-	16,311
100460-0910 Preschool Projects	84.173	15,833	15,833	15,833	-	15,833	-
110460-1011 Preschool Projects		14,345	-	-	14,345	-	14,345
			260,426		446,155	260,426	446,155
Title 1 Cluster							
Passed through Michigan Department of Education							
101530-0910 Title 1A	84.010	347,668	80,732	312,529	35,139	80,732	35,139
111530-1011 Title 1A		326,992	-	-	294,678	-	294,678
101520-0910 Title 1A	84.010A	6,000	4,600	4,600	-	4,600	-
			85,332		329,817	85,332	329,817
100445-0910 ARRA - Title 1	84.389	136,640	16,140	73,984	-	16,140	-
111535-1011 ARRA - Title 1		62,640	-	-	62,640	-	62,640
			16,140		62,640	16,140	62,640
			101,472		392,457	101,472	392,457
090520-0809 Improving Teacher Quality	84.367	92,151	6,962	83,357	-	6,962	-
100520-0910 Improving Teacher Quality		84,277	11,765	52,727	7,817	19,582	-
110520-1011 Improving Teacher Quality		100,047	-	-	81,555	-	81,555
			18,727		89,372	26,544	81,555

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Birch Run Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass Through Grantor Program Title Grantor Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue at July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue at June 30, 2011
1004295-0910 ARRA Title II, Part D	84.386	\$ 6,042	\$ 675	\$ 5,207	\$ -	\$ 675	\$ -
1104295-1011 ARRA Title II, Part D		835	-	-	835	-	835
			<u>675</u>		<u>835</u>	<u>675</u>	<u>835</u>
112525-1011 ARRA - State Fiscal Stabilization Fund	84.394	213,647	-	-	213,647	213,647	-
112545-1011 Education Jobs Fund	84.410	411,345	-	-	411,345	411,345	-
Total U.S. Department of Education			<u>381,300</u>		<u>1,553,811</u>	<u>1,014,109</u>	<u>921,002</u>
U.S. Department of Health and Human Services							
Passed through Saginaw Intermediate School District							
Medicaid Admin Outreach - 2010	93.778	2,462	521	2,462	-	521	-
Medicaid Admin Outreach - 2011		2,416	-	-	2,416	2,416	-
			<u>521</u>		<u>2,416</u>	<u>2,937</u>	<u>-</u>
Total federal programs			<u>\$ 381,821</u>		<u>\$ 1,921,344</u>	<u>\$ 1,329,733</u>	<u>\$ 973,432</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Birch Run Area Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2011

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2011.
3. The federal amounts reported on the Forms Grant Auditor Report are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

Birch Run Area Schools
Schedule of Findings and Questioned Costs
June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.394	ARRA – State Fiscal Stabilization Fund
84.410	Education Jobs Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

Birch Run Area Schools
Schedule of Findings and Questioned Costs
June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2011.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2011.

Birch Run Area Schools
Summary Schedule of Prior Audit Findings
June 30, 2011

There were no audit findings for the year ended June 30, 2010.



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September 2, 2011

Management and the Board of Education
Birch Run Area Schools
Birch Run, Michigan

We have completed our audit of the financial statements of Birch Run Area Schools as of and for the year ended June 30, 2011 and have issued our report dated September 2, 2011. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit.

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 25, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. The District has adopted Government Accounting Standards Board Statement No. 54 effective July 1, 2010. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimate affecting the financial statements.

Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. There were no adjustments identified during the audit.

No material misstatements or material passed adjustments were noted during the audit.

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

These communications are intended solely for the information and use of management, the Board of Education, and others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan